



EXECUTIVE SUMMARY

OF THE

BUSINESS FOR RUSSIA EVALUATION

Submitted to:

United States Department of State
(formerly the United States Information Agency)
Bureau of Educational and Cultural Affairs
Office of Policy and Evaluation

by

Dr. Susan Goodrich Lehmann
Lehmann Surveys and Research

March 1999

EXECUTIVE SUMMARY

BUSINESS FOR RUSSIA EVALUATION

Dr. Susan Goodrich Lehmann,
Lehmann Surveys and Research, March 1999

THE PROGRAM

The Business for Russia Program (BFR) was begun in 1993 as a joint effort of the United States Information Agency and the Russian Federal Employment Service. Almost 2,000 English speaking Russian businessmen have participated in the exchange program.

The objectives of the program are:

⇒ To enhance participants' skills in business and entrepreneurship through meetings and practical training with their U.S. counterparts;

⇒ To encourage direct links between communities in the United States and Russia which will continue beyond grant-funded activity;

⇒ To encourage public-private partnerships *in Russia* by including private sector and government participants in the program.

In Russia, the BFR program is managed by IREX in consultation with USIS Moscow and the Russian Federal Employment Service. The USIA Office of Citizen Exchanges administers the program in the United States through grants to community-based American organizations. U.S. partner organizations arrange individual internship experiences for participants, supplemented by group training programs such as seminars and site visits.

The program is not academic in nature; rather, it is designed to provide practical, hands-on training in American business environments which can be transferred upon a participant's return home. BFR is not intended to provide a forum for arranging joint-ventures and business deals, although this sometimes happens. Participants are told prior to leaving Russia that the focus is on skills acquisition and that they should not consider business contacts the intent of the program.

EVALUATION DESIGN AND METHOD

Dr. Susan G. Lehmann, Assistant Professor of Sociology and member of the W. Averell Harriman Institute conducted an independent evaluation of the BFR Program and its sister program in Tatarstan, Community Connections. Dr. Lehmann collected the data in collaboration with her colleagues Dr. Sergei Tumanov, Director of the Center for Sociological Study of Moscow University, and Dr. Mikhail Guboglo, Deputy Director of the Institute of Ethnology and Anthropology of the Russian Academy of Sciences. A two-part approach involving in-depth survey interviews collected between June and July 1998 and focus group discussions held between September and November 1998 was used in evaluating the BFR Program. The hour-long survey

had a 91.6% response rate and this report reflects the opinions of 1,187 BFR entrepreneurs. Approximately 100 people were re-interviewed in a series of 12 follow-up focus group discussions held in 6 cities: Moscow, St. Petersburg, Voronezh, Yaroslavl, Khabarovsk, and Ekaterinburg.

FINDINGS AND CONCLUSIONS

It is clear from the data collected that the BFR Program succeeds in meeting each of its 3 stated objectives. The evaluator and BFR participants strongly support this program.

During the focus group interviews that were held in early September, during the worst of the economic crisis, BFR businessmen pled with this evaluator to continue the program. BFR people view themselves as an isolated minority of truly reform businessmen. **They said that as important as the business training they received was, the moral support and validation they gained by meeting American businessmen was crucial.** They saw their host businessmen as having ideals more akin to their own than their typical Russian colleagues. They were definitive that they hold little hope for market reform unless more Russian businessmen and politicians came to share their values. They see the BFR program as highly instrumental in fostering a critical mass of reform minded Russian businessmen.

Business for Russia participants report that the U.S. training has led them to significantly expand products and services – substantially guided by customer input. Technological expertise, including the use of computers, was also greatly increased. As a direct result of their U.S. training, BFR survey respondents report average production increases of 18% for state and municipal firms, 27% for privatized and cooperative firms, and 35% for start-up firms. They report post-BFR profit increases of between 14-24%.

Post-exchange, BFR participants report increasing their work week by an average of 2 hours. They reported that seminars covering product marketing and customer service were the most useful. The three most important skills gained were an enhanced ability to: 1) negotiate and conclude contracts, 2) evaluate potential competitors, and 3) develop new ideas into marketable products. Least successful were attempts to increase participants' ability to sell products on the world market, address workplace health and safety standards, and address environmental pollution and product safety issues.

Few BFR participants report making lasting business contacts with American businessmen. BFR people are *much* more likely to maintain contact with host families – more than 70 percent have contacted their host families at least once since returning to Russia. This being the case, host organizations should continue the practice of explicitly matching BFR people to host families in which someone is employed in a similar or allied business field where possible. The BFR people were much more likely to have made useful contacts with fellow Russian businessmen during the exchange. They averaged 2-3 new active Russian business contacts, thus meeting the third goal of the program. Businessmen remain skeptical that the program improves partnerships between themselves and local government. But during the focus group with local government officials, it became clear to this evaluator that officials came away from the exchange with many new ideas which they wanted to implement. Local government officials did, however, feel that federal policies greatly circumscribed the changes that were possible.

In the absence of a pre-program survey, it is difficult to judge the impact of the exchange experience on political and economic values. In order to roughly estimate the impact of the program, BFR participants were compared to a sample of individuals of comparable educational and employment backgrounds interviewed in 1996. The 1996 survey was done in the weeks prior to the first round of the Russian presidential election. The survey was of comparable length and complexity.

BFR people are *less* likely than their 1996 counterparts to think that Russia is going in an *incorrect* direction [prior to August 1998]. BFR respondents are also much more supportive of *rapid* economic reform. BFR people were extremely supportive of the free purchase and sale of land by Russian entities, though they favored some restrictions on the purchase and sale of land by *foreign* entities. Sixty-five percent of BFR men and almost half of BFR women completely support foreign investments in the Russian economy, making BFR entrepreneurs more likely to support foreign investment in Russia than their 1996 counterparts. The clear majority of BFR and 1996 elites prefer that the export of Russian raw materials be conducted *with limitations*. More than 82 percent of BFR men and 74 percent of BFR women advocate some level of tariff protection to defend domestic industry. In this they are exactly in keeping with the rest of the elite Russian population.

ADMINISTRATIVE FINDINGS

Administratively, the Business for Russia program is well managed. USIA and the host communities are to be commended for their success in matching somewhat vaguely defined business needs with internships. Ninety percent of BFR entrepreneurs thought that their internships were well matched to their needs. Site visits proved the most useful to BFR people. There was some question about the focus and difficulty level of the seminars. BFR people recommend that the seminars be less theoretical and more sophisticated in the future.

Most of the exchange businessmen now strongly support the idea that it is the responsibility of businessmen to donate time or money to improve their local communities. Among those currently volunteering, it is most common to donate time to educational institutions. BFR people are still unlikely to belong to business clubs, although they show strong support for the creation of such organizations.

Again, in summary, the Business for Russia Program is clearly successful in realizing its three main objectives. This evaluator finds evidence that the Business for Russia Program has had a substantial impact on technical skills and employee management strategies. BFR people return to Russia with an enhanced ability to plot business strategy and with an expanded network of Russian business contacts. The program is well managed by USIA and IREX. The adjustments recommended in the report are minor. This evaluator strongly recommends that the program receive continued funding.

RECOMMENDATIONS¹

PROGRAM MANAGEMENT IN RUSSIA

1. Two regions are currently under-served and should be targets of opportunity in the near future – the Northern Caucasus and the Urals region. In particular consideration should be given to Udmurtia, Orenburg, and Stavropol. Among regions already served, the alumni judged Kaluga, Karelia, Krasnoyarsk, Tatarstan, and Yaroslavl to be the most fertile for further recruitment.
2. Alumni indicate that the ideal age for participants is between 25 and 43 years old. They also recommend that participants have between one to three years of experience in their current businesses. IREX should continue to use BFR alumni, experienced businessmen, or members of a business association, rather than academics, to aid in the selection of future participants.
3. It is strongly recommended that either IREX or USIS-Moscow devise a better method of ensuring the safety of international passports and documents during the processing interval. It is further recommended that the interval between the collection of the passports and travel not exceed three months. Attempts should be made to keep applicants updated with respect to likely departure dates.
4. Host communities should strive to provide Russians with a moderate level of information regarding host companies prior to departure from Russia.

PROGRAM MANAGEMENT IN THE UNITED STATES

5. Host organizations should continue the practice of explicitly matching BFR people to host families in which someone is employed in a similar or allied business field.
6. Host organizations should arrange for a van, once or twice a week, to take people on short excursions of their own choosing.
7. Host organizations should attempt to make internet access available to the participants for a couple of hours a week on a regular basis. This will allow participants to manage their business affairs in Russia during their absence.
8. Host families and businesses could benefit from better guidelines regarding their Russian visitors. BFR participants come from Russia's elite and are accustomed to being recognized as community and business leaders. U.S. hosts need to be sensitive to this fact.
9. Since host businesses no doubt differ in their knowledge of Russian business conditions, USIA should develop a standard, brief, packet of information on the topic. Alumni thought that they would have received better advice from Americans if the businesses had had a more sophisticated knowledge about the Russian business environment. In particular alumni recommend briefing host businesses about the Russian tax system and banking system.

¹ These are not listed in order of importance, but in chronological order as they apply to stages of the program.

10. Instructional seminars should be revised to make them more practical and less theoretical. The level of the information needs to be more sophisticated. Alumni recommend offering more brief breaks during seminars to allow those with poorer English language skills to clarify points in Russian with fellow exchangees. Such breaks would keep a larger percentage of people engaged in the seminar.

11. The advice which BFR people receive should be portable. In some fields it does not pay to tailor the BFR experience to the exchangee's current job since the likelihood of switching is so high.

12. Since alumni report finding it difficult to implement new practices without changing jobs upon returning to Russia, more attention should be given to strategies for introducing change into existing organizations and for starting new businesses.

13. BFR alumni found it most useful to either observe an actual business or actively participate in some aspect of running a business. Relatively more time should be devoted to on site visits than to educational seminars.

FOLLOW-ON PROGRAMS

14. More financial resources may also be necessary to set up a system for maintaining contact among alumni. Fellow alumni not only serve as business contacts, their comments during the focus group sessions indicate that they derive moral support from talking to fellow reform-oriented business people.

15. Alumni request that short, advanced seminars be offered periodically (in Russia) so that businessmen can continue to upgrade their skills and network among themselves.